

Report in Brief

Date: March 2023

Report No. A-06-17-09004

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

Delivery System Reform Incentive Payment (DSRIP) Program payments are incentive payments made to hospitals and other providers that develop programs or strategies to enhance access to health care, increase the quality and cost-effectiveness of care, and improve the health of patients and families served. These incentive payments have significantly increased funding to providers for their efforts related to the quality of services. Texas made DSRIP Program payments totaling almost \$10 billion for demonstration years 1 through 5.

Our objective was to determine whether Texas used permissible funds as the State share of DSRIP Program payments.

How OIG Did This Audit

Our audit covered the State share of \$294.1 million of \$694.2 million in total DSRIP Program payments made to one provider for December 12, 2011, through September 30, 2016. We calculated the DSRIP payments and required State share and traced them to the financial records to determine the source and amount of funds used as the State share for the DSRIP payments.

Texas Could Not Support the Permissibility of the Funds Used as the State Share of the Medicaid Delivery System Reform Incentive Payment Program

What OIG Found

Texas could not support that the \$294.1 million in funds that it used as the State share of Parkland Hospital's (Parkland's) DSRIP Program payments were derived from permissible sources.

This occurred because Texas did not provide any guidance to the Dallas County Hospital District, dba Parkland Health & Hospital System (Hospital District) for identifying and documenting the funding sources used for the DSRIP intergovernmental transfers (IGTs). Consequently, the Hospital District did not put controls in place to identify the source of funds or maintain documentation to support the permissibility of the funds used for the DSRIP IGTs.

The State has the burden to document the allowability and allocability of its claims for Federal Financial Participation, and this burden is based on the requirement in Federal cost principles that costs claimed must be documented adequately and on grant administration requirements, including the requirement that grantees maintain accounting records supported by source documentation. Without such documentation, we could not determine whether Texas was entitled to the full \$400.1 million Federal share Texas received for Parkland's DSRIP Program payments.

What OIG Recommends and Texas Comments

We recommend that Texas (1) work with CMS to determine how much of the \$294.1 million transferred by the Hospital District and used by the State agency as the State share of Parkland's DSRIP Program payments were derived from impermissible sources and refund up to the \$400.1 million Federal share received and (2) provide its IGT entities with guidance on identifying and documenting the permissibility of the funds they transfer to cover the State share of Medicaid expenditures, emphasizing that the State is required to maintain records that adequately identify the source and application of funds for federally funded activities.

In written comments on our draft report, Texas did not concur with our recommendations. However, Texas did describe the actions it planned to take to address each of our recommendations. After reviewing Texas' comments, we maintain that our finding and recommendations are valid.